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ARIZONA CORPORATION COMMISSION

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July 31, 2009

Mr. Don Brandt
Chief Executive Officer
Arizona Public Service Company
400 No. Fifth Street
Phoenix, AZ 85004

Re: Use of Viability Criteria as Part of Utility Renewable Energy Project Selection Processes.

Dear Mr. Brandt:

I am writing regarding the renewable energy procurement processes being used by Arizona's utilities and the potential need for enhancement of the screening of projects by utilities based upon viability criteria.

Specifically, I am concerned that without a viability test associated with utility Requests for Proposal ("RFPs"), the time frame required under Arizona's Renewable Energy Standard ("RES") may not be achieved by some Arizona utilities. In a recent California Public Utilities Commission ("CPUC") decision¹, the CPUC adopted enhanced project viability evaluation methodology for energy procurement throughout that state. In short, California utilities were required to adopt more stringent criteria to ensure that the renewable energy projects they signed power purchase agreements with were viable, and could be justified.

It is my view that as Arizona moves forward with procuring and developing renewable resources, the Commission needs assurance that utility practices are in place to screen out speculative projects. Further, these practices should accord projects with the best opportunities to come to fruition the benefit of close examination and consideration. While no party can guarantee that a proposed development will advance to completion, projects selected for contracting should have a high probability of succeeding.

Accordingly, I would like you to detail for the Commission your current RFP process and specifically address how the issue of viability is utilized within your review of submissions. Please identify the criteria that you consider in screening out speculative projects or technologies in your review of responses to RFPs, and whether you believe your viability screens are more robust than those recently adopted in California.

¹ See Decision Conditionally Accepting 2009 Renewable Portfolio Standard Procurement Plans and Integrated Resource Plan Supplements, June 8, 2009, D. 09-06-018.

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Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Mayes', with a stylized flourish at the end.

Kris Mayes
Chairman

Cc: Commissioner Gary Pierce
Commissioner Sandra Kennedy
Commissioner Paul Newman
Commissioner Bob Stump
Ernest Johnson
Janice Alward
Lyn Farmer
Michael Kearns
Rebecca Wilder